

## Message Text

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TO SECSTATE WASHDC 6914

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C O N F I D E N T I A L SECTION 1 OF 3 USNATO 4094

E.O. 11652: GDS80

TAGS: MCAP NATO

SUBJ: DPC MEETING, 25 JULY, ITEM I: NICS PRODUCTION SHARING - TREND  
ANALYSIS; AND ITEM II: ORDER OF IMPLEMENTATION OF THE NICS  
TARE PROJECT

REFS: A. STATE 156902; B. USNATO 3960

SUMMARY. DPC FAILED TO ACHIEVE CONSENSUS WHEN ALLIES REFUSED TO FLEX IN RESPONSE TO RUMSFELD'S FORTHCOMING STATEMENT OF US POLICY AS CONTAINED REF A. ALLIES FOLLOWED BUCHS' ONE-SIDED INTRODUCTION FAVORING A MAJORITY POSITION FOR 35 PCT PRODUCTION SHARING (IN ADDITION TO CIVIL ENGINEERING). SINCE US COULD NOT FOLLOW THAT LEAD, AND NO ALLY INDICATED ANY FLEXIBILITY, NO DECISION WAS TAKEN. SYG NOTED THAT UNLESS US COULD JOIN EUROPEAN ALLIES, TARE PROCUREMENT WOULD BE HELD UP UNTIL THENEXT DISCUSSION IN THE DPC IN THE FALL. END SUMMARY.

1. SYG INTRODUCED SUBJECT BY NOTING THAT NICSMA STUDY (NICSMA-D/43) NOW PRESENTED SEVEN OPTIONS. SUCH A WIDE RANGE SHOULD PROVIDE A STEP TOWARD A COMPROMISE AND AGREEMENT IN ORDER TO CLEAR THIS LAST OBSTACLE TO TARE PROCUREMENT AND THE START OF THE NICS SYSTEM. BUCHS (DIRECTOR GENERAL, NICSMA) DESCRIBED THE CONFIDENTIAL

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SEVEN OPTIONS WITH A STRONG BIAS TOWARD THE NEED FOR AT LEAST 35 PCT SHARING OF THE CONTRACT PRICE (NOT INCLUDING CIVIL ENGINEERING WHICH IN THE CASE OF TARES WOULD ADD ABOUT 12 PCT TO THE SHARED PORTION). HE STATED, HOWEVER, THAT OPTION VII WOULD BE A SUITABLE

COMPROMISE BETWEEN THE US POSITION AND THAT OF HER ALLIES. OPTION VII CALLS FOR 17.5 PCT SHARING OF THE BARE ELECTRONICS PORTION OF THE FIRST TWO CONTRACTS (IAU 14.9 MILLION FOR TARES AND IAU 4.3 MILLION FOR ACCESS SWITCHES), AND SOME 45 PCT OF THE SATELLITE GROUND TERMINALS.

2. RUMSFELD (US) STATED THAT IF BUCHS' SUGGESTION TO FOCUS ON OPTION VII WERE TO BE GENERALLY ACCEPTED, THE DISCUSSION WOULD BE SHORT ON THE PART OF THE US, SINCE OPTION VII WAS NOT ACCEPTABLE. HE THEN SAID, QUOTE I APPRECIATE THE EFFORTS WHICH WENT INTO THE PREPARATION OF THE NICSMA REPORT AND ONLY REGRET THAT IT DOES NOT CONTAIN THE ELEMENTS PRESENTED TO THE SPECIAL WORKING GROUP ON LAST WEDNESDAY. THOSE ELEMENTS INDICATED THAT ALL THREE OF THE FIRST CONTRACTS COULD BE AWARDED TO US CONTRACTORS WITHOUT

CREATING A DANGEROUS IMBALANCE IN PRODUCTION SHARES. THEY ALSO INDICATED THAT AWARD OF THE FIRST CONTRACT FOR THE TARE TO OTHER

THAN A US CONTRACTOR WOULD PUT THAT COUNTRY'S SHARE OVER ITS MINIMUM QUOTA.

IN VIEW OF THOSE FACTS, MR. CHAIRMAN, THE US CONTINUES TO MAINTAIN ITS POSITION THAT THE US COMPROMISE HAS ALREADY BEEN MADE IN REACHING AN AGREEMENT ON PRODUCTION SHARING TWO YEARS AGO. WE CAN ACCEPT, THEREFORE, OPTION II -- REQUIRING NO PRODUCTION SHARING; OPTION III -- REQUIRING NO PRODUCTION SHARING FOR THE TARE OR THE IVSN; OR OPTION V -- INTRODUCING A CLAUSE WHICH WOULD ALLOW OUR ALLIES TO PROTECT THEMSELVES AGAINST EACH OTHER.

IN ADDITION, MR. CHAIRMAN, SOME OF THE DEFINITIONS IN THE NICSMA REPORT WOULD REQUIRE CONSIDERABLE EXPLANATION AND COMMENT AND I HOPE, THEREFORE, THAT THE REPORT WILL NOT ACQUIRE STATUS FROM TODAY'S DISCUSSIONS BECAUSE THAT SHOULD BE A SEPARATE DISCUSSION UNQUOTE.

3. DE STAERCKE (BELGIUM) INDICATED SATISFACTION WITH BUCHS' CONFIDENTIAL

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REPORT AND THE SPEED WITH WHICH IT WAS PREPARED. HE AGREED, HOWEVER, THAT THE REPORT HAD NO STATUS EXCEPT AS AN AID TO THE DPC IN RESOLVING A THORNY QUESTION. HE INDICATED THAT HIS CONCERN WAS TO ASSURE THE BELGIAN PUBLIC THAT THE INTERESTS OF THEIR INDUSTRY WERE BEING SAFEGUARDED, AND THAT EUROPEANS WOULD BE PROTECTED AGAINST THE US ADVANTAGE IN HIGH TECHNOLOGY WORKS. HE ASKED THAT THE DPC CONSIDER THE HYPOTHESIS WHEREIN SUCCESSFUL PRIME CONTRACTORS REFUSED ANY SHARING OF THE WORK EVEN THOUGH SUCH A HYPOTHESIS WAS AN UNLIKELY ONE, AND TO PROVIDE PROTECTION AGAINST SUCH A DEVELOPMENT WHILE GUARANTEEING THE US A LARGE SHARE OF THE PRODUCTION. HE NOTED THAT BUCHS HAD FAVORED OPTIONS I, IV, AND VII, WHILE RUMSFELD COULD ACCEPT ONLY OPTIONS II, III, AND V. THERE WAS NO MEETING OF MINDS AND PERHAPS THE DPC SHOULD LOOK TO THE QUOTE COMPROMISE UNQUOTE OPTION VII AS A

GLOBAL SOLUTION FOR THE NICS PROGRAM. HE BELIEVED THAT OTHERWISE THE ONLY SOLUTION WAS TO SEPARATE THE TARE PROJECT AND TO AGREE ON A 35 PCT SHARING OF THE IAU 17.3 MILLION CONTRACT AMOUNT. MENZIES (CANADA) ALSO LAUDED THE NICSMA REPORT. HE NOTED THAT THE NICSMA STUDY HAD BEEN BASED ON THE TOTAL COST OF NICS, WHEREAS THE INTERNATIONAL STAFF IN AC/R-D/2330 HAD CALLED FOR A ROUGH BALANCE AT AN EARLIER STAGE, IAU 100 MILLION. HE STATED (ERRONEOUSLY) THAT USING THE IAU 100 MILLION BASE, THE AWARD OF THE TARE CONTRACT TO ANY COUNTRY CAUSED AN IMBALANCE. THIS WAS ESPECIALLY TRUE, HE SAID, SINCE FOLLOW-ON BUYS TO EARLY CONTRACTS AND THE HIGH TECHNOLOGY INVOLVED IN LATER CONTRACTS WOULD TEND TO FAVOR THE US IF EARLIER CONTRACTS WENT TO US FIRMS. CANADA WOULD MAKE A MAJOR EFFORT AND ACCEPT OPTION VII IF THE DECISION CALLED FOR A MANDATORY 45 PCT SHARING ON SGTS. HE REGRETTED THAT THE US COULD NOT AGREE WITH HER ALLIES WHO WERE QUOTE MORE DIRECTLY AFFECTED UNQUOTE.

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4. BUWALDA (NETHERLANDS DCM) AGREED THAT WHEREAS CALCULATIONS DID NOT SHOW ANY IMBALANCE BECAUSE OF AWARD OF EARLY CONTRACTS TO US FIRMS, THE FOLLOW-ON BUYS WOULD PRODUCE SUCH AN IMBALANCE. NETHERLANDS WOULD PREFER A MANDATORY 50 PCT SHARING OF ALL CONTRACTS, AND GIVEN THE ANNOUNCED US POSITION, WOULD STICK TO OPTION I REQUIRING 35 PCT SHARING. HE COULD, HOWEVER, OFFER HOPE THAT OPTION VII MIGHT BE A COMPROMISE ACCEPTABLE TO THE NETHERLANDS. BOSS (FRG DCM) SUPPORTED THE CANADIAN AND

NETHERLANDS VIEWPOINT.

5. CATALANO (ITALY) STATED HIS UNDERSTANDING THAT PRODUCTION SHARING HAD NOT BEEN CONCEIVED TO SPREAD THE COSTS FOR NICS, BUT RATHER ITS TECHNOLOGY. HE BELIEVED THAT IRRESPECTIVE OF HOW THE NEXT THREE CONTRACTS WERE AWARDED, THEY CONSTITUTED

A TREND TOWARD IMBALANCE. HE BELIEVED ITALY WOULD PREFER 35 PCT MANDATORY SHARING BUT COULD ACCEPT OPTION VII. LOGAN (UK DCM) AGREED WITH AL SPEAKERS EXCEPT RUMSFELD. THE SYG NOTED UNANIMITY AGAINST US POSITION AND ASKED IF RUMSFELD HAD FURTHER COMMENTS. RUMSFELD CONFIRMED THAT THE US COULD NOT ACCEPT OPTION VII WHICH REQUIRED 17.5 PCT SHARING OF THE IAU 14.9 MILLION ELECTRONICS PORTION OF THE TARE CONTRACT, OR 38.5 PCT OF THE TOTAL CONTRACT INCLUDING CIVIL ENGINEERING. NATO  
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HAD AGREED TO A COMPROMISE TWO YEARS PREVIOUSLY IN COMING TO THE GUARANTEED NATIONAL PRODUCTION QUOTA. HE THEN SAID, QUOTE SINCE IT IS EVIDENT THAT MY COLLEAGUES DO NOT REGARD OUR AGREEMENT OF TWO YEARS AGO AS SUFFICIENTLY BINDING, MY AUTHORITIES COULD AGREE TO A PROVISION WHEREBY AS MUCH AS 25 PCT OF THE ENTIRE NICS PROGRAM, INCLUDING CIVIL ENGINEERING, WOULD BE SUBJECT TO MANDATORY PRODUCTION SHARING. THE MECHANICS OF SUCH A PROVISION ARE A LITTLE DIFFICULT TO ENVISAGE, BUT I WOULD GUESS THAT OUR INFRASTRUCTURE ADVISORS COULD COME UP WITH SOMETHING.

WE UNDERSTAND, OF COURSE, THAT IN THE CASE OF THE TARE PROJECT WHICH INTERESTS US HERE TODAY, THE ABOVE 25 PCT OF MANDATORY SHARING, INCLUDING THE CIVIL ENGINEERING, WOULD NOT RESULT IN AN OPPORTUNITY FOR CONTRACTORS OF OTHER COUNTRIES TO PARTICIPATE IN THE HARD CORE PORTION OF THE TARE CONTRACT. WE HAVE THEREFORE PERSUADED OUR AUTHORITIES TO AGREE TO A CLAUSE IN THE TARE CONTRACT REQUIRING 20 PCT SHARING OF THE 17.3 MILLION IAU TOTAL CONTRACT AMOUNT (EXCLUDING CIVIL ENGINEERING) WHICH WILL PROVIDE A SHARING OF THE ELECTRONICS PORTION OF THE CONTRACT. IT SHOULD BE NOTED THAT THIS POSITION AMOUNTS TO A MANDATORY

SHARING OF THE TOTAL CONTRACT INCLUDING CIVIL ENGINEERING OF 30 PCT, BUT THIS SHOULD NOT BE INTERPRETED AS MORE THAN A SINGLE EXCEPTION, TO GET THE PROGRAM STARTED, FROM OUR BASIC POSITION OF NO MORE THAN 25 PCT MANDATORY SHARING UNLESS A DEFINITE IMBALANCE SHOULD BECOME APPARENT LATER IN THE PROGRAM, WHICH IS NOT THE CASE NOW UNQUOTE.

6. THE SYG INDICATED THAT NEWUS POSITION TENDED TO PROVIDE SOME MOVEMENT BUT MENZIES DID NOT BELIEVE THAT TO BE TRUE. HE WENT THROUGH COMPLICATED AND ERRONEOUS CALCULATION INDICATING THAT

US OFFER PROVIDED SHARING OF LESS THAN WOULD BE REQUIRED BY THE CIVIL WORKS AND LOCAL INSTALLATION AND TEST COSTS. LOGAN SAID THAT THE UK HAD EXAMINED OPTION VI WHICH WAS THE OPTION NOW OFFERED BY THE US, AND DID NOT BELIEVE IT TO BE ENOUGH. BUWALDA SUGGESTED THAT HORSE TRADING HAD BEGUN AND ASKED IF THERE WERE A MIDDLE WAY, PERHAPS 30 PCT OF THE IAU 17.3 MILLION FOR TARES.

7. RUMSFELD SAID THAT THE US WAS NOT HORSE TRADING. US HAD STARTED FROM POSITION THAT THE RULES REQUIRED UNLIMITED ICB  
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IN ORDER TO PROVIDE THEBEST JOBFOR THE LEAST MONEY. WE WERE NOW WILLING TO LIBERALIZE THAT POSITION IN ORDER TO GET THE NICS PROGRAM STARTED,BUT THAT THIS OFFER WAS THE LIMIT OF THE US FLEXIBILITY. HE THEN PRESENTED FIGURES INDICATING THAT THE 20 PCT SHARING DID INDEED REQUIRE A SHARING OF THE IAU 14.9 MILLION ELECTRONIC PORTION OF THE TARE CONTRACT.

8. DE STAERCKE STATED THAT THE MAJORITY DID NOT WISH TO ABROGATE THE ORIGINAL AGREEMENT,BUT RATHER TO APPLY THE RULES. THOSE RULES REQUIRED MANDATORY PRODUCTION SHARING OF SOME SORT IN THE FACE OF A TREND TOWARD PRODUCTION IMBALANCE.IT WAS THE

MAJORITY BELIEF THAT AN IMBALANCE DID EXIST. LOGAN SUPPORTED DE STAERCKE AND NOTED THAT BOTH THE INTERNATIONAL STAFF AND NICSMA HAD WARNED THAT FAILURE TOSHARE THE EARLY PROJECTS COULD LEAD US INTO A POSITION WHERE THE IMBALANCE COULD NOT BE CORRECTED BY LATER CONTRACTS.

9. RUMSFELD ATTACKED LOGAN'S POSITION IN THAT BUCHS' REPORT AND HIS STATEMENTS TO THE DPC ON JUL Y 16 HAD INDICATED THAT THE CALCULATION OF FUTURE TRENDS WAS MORE BASED ON BLACK MAGIC THAN EXACT SCIENCE.THE URGENT WARNINGS ISSUING FROM STUDIES BASED ON THAT APPROACH ONLY CONCERNED THEMSELVES WITH WORST CASES WHEREIN ALL CONTRACTS WOULD GO TO ONE NATION AND THERE WOULD BE NO VOLUNTARY SHARING AMONG CONTRACTORS. HE THEREFORE BELIEVED THAT WE SHOULD STICK TO OUR AGREEMENT TO ACHIEVE ABALANCE AND TO CONSIDER MANDATORY SHARING ONLY WHEN CONFRONTED WITH A FINDING OF FACT THAT AN IMBALANCE DID INDEED EXIST OR WAS INESCAPABLE IN THE NEAR FUTURE. HE THEN STATED THAT PRESENT US POSITION WAS FORTHCOMING IN BOWING TO THE ALLIED POSITION FAVORING A MANDATORY SHARING. IF THE ALLIES COULD ACCEPT THE US OFFER, WE WERE PREPARED TO COMPROMISE A FURTHER TIME ON BASIC PRINCIPLES. IF NOT, THEN IT APPEARED THAT NO SOLUTION WAS POSSIBLE.

10. BUCHS AGREED THAT HIS STUDIES WERE BASED ON WORST CASE SUPPOSITIONS. HE ALSO AGREED THAT IN THE AWARD OF THE PRESENT CONTRACTS, THE US WOULD NOT CONSTITUTE A PROBLEM, BUT THAT FOLLOW-ON WORKS COULD INDEED OVERBALANCE THE US PRODUCTION SHARE. HE CONFIRMED THAT THE AWARD OF THE TARE TO ANY BUT A US CONTRACTOR WOULD USE UP MORE THAN THAT CONTRACTOR'S COUNTRY'S CONFIDENTIAL

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SHARE OF THE NICS PRODUCTION. HE NOTED THAT OPTION V WOULD, AS RUMSFELD HAD POINTED OUT, PROTECT THE MAJORITY FROM EACH OTHER, BUT DID NOT APPLY TO US CONTRACTORS. RUMSFELD SUGGESTED THAT BUCHS WAS ALSO ASSUMING THE ABSENCE OF VOLUNTARY SHARING BETWEEN CONTRACTORS. SHOULD SUCH SHARING BE CONSIDERED, THE STUDY WOULD ARRIVE AT DIFFERENT RESULTS AND,WITH PROBLEMATIC

SUPPOSITIONS APPLIED TO THE THREE CONTRACTS, COORCTION OF THOSE  
SUPPORTIONS TO MORE LIKELY ONES COULD REVERSE BUCHS' CONCLUSIONS.  
BUCHS REPLIED THAT HIS CONCLUSION WAS BASED ON TWO CONTRACTS  
AWARDED TO US CONTRACTORS, VIZ., SATCOM SPACE ELEMENT TO PHILCO-  
FORD AND SSMA TO MAGNAVOX. BOTH CONTRACTORS HAD OFFERED A  
EUROPEAN CONTENT BUT NEITHER HAD AGREED TO SUCH A CONTENT  
WHILE NEGOTIATING THE FINAL CONTRACT.

11. DE STAERCKE, PICKING UP FROM BUCHS, AGREED THAT RULES  
WERE SET TWO YEARS AGO. THEY FORESAW THE PRESENT SITUATION WHICH  
THE MAJORITY BELIEVED TO CONSTITUTE AN IMBALANCE IN PRODUCTION SHARES.

HE THEN QUOTED THE PRODUCTION SHARING CLAUSE WHICH WAS INCLUDED  
IN THESATCOM SPACE CONTRACT INVITING CONTRACTORS  
TO SPREAD PRODUCTION AS WIDELY AS POSSIBLE THROUGHOUT NATO  
COUNTRIES. IT WAS BECAUSE US CONTRACTORS HAD NOT RESPECTED THE  
SPIRIT OF THE SHARING OF TECHNOLOGY THAT THE MAJORITY NOW  
REQUIRE MANDATORY SHARING. MENZIES AGREED WITH DE STAERCKE.

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12. PRENDERGAST (DEFENSE ADVISOR, REPLACING RUMSFELD)  
THEN SUMMARIZED THE US POSITION AS ATTACHING GREAT IMPORTANCE  
TO SPEEDY IMPLEMENTATION OF THE NICS. THE US WAS SEEKING THE  
BEST PRODUCTS AT THE LOWEST COST FOR NATO. SINCE WE HAD BELIEVED  
THOSE AIMS TO BE BEST ACCOMPLISHED BY UNFETTERED ICB, WE HAD  
RESISTED PRODUCTION SHARING PREVIOUSLY. WHEN WE AGREED TO  
PRODUCTION SHARING, WE DID SO TO PROTECT THOSE AIMS WHILE  
GUARANTEEING PRODUCTION QUOTAS TO NATIONS REQUIRING THEM. WE  
ALSO AGREED THAT RESTRICTIVE ACTION WOULD ONLY BE TAKEN SHOULD  
THERE BE A SERIOUS TREND TOWARD IMBALANCE. WE HAVE NOW AGREED  
TO MODIFY THAT US POSITION AND TO ACCEPT MANDATORY SHARING OF  
25 PCT OF THE TOTAL NICS COSTS. TO GET THE PROGRAM STARTED,  
WE HAD FURTHER COMPROMISED OUR POSITION IN THE CASE OF THE

TARE TO 20 PCT OF IAU 17.3 MILLION, WHICH WOULD INDEED PROVIDE FOR SOME SHARING IN THE ELECTRONIC PORTION. HE BELIEVED THAT THE US HAD BEEN MORE THAN FORTHCOMING IN MEETING THE ALLIED FEARS, WHICH SHOULD BE SATISFIED BY THE GENERAL AGREEMENT TO ACHIEVE A PRODUCTION BALANCE. IN A QUICK TOUR DE TABLE, BELGIUM, CANAD, ITALY, NETHERLANDS, AND THE UK WERE SHOWN TO FAVOR A SHARING OF 30 PCT OF THE IAU 17.3 MILLION TARE PROJECT, ITALY SPECIFYING THAT THE AGREEMENT SHOULD COVER TARES WITH THE REMAINDER OF THE PROGRAM SUBJECT TO LATER NEGOTIATION. THESE NATIONS ALSO SUGGESTED THAT THE US, HAVING ALREADY CHANGED ITS CONFIDENTIAL

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POSITION, SHOULD NOW BE WILLING TO SIMPLY CHANGE THE NUMBERS IN THAT POSITION. PRENDERGAST SUGGESTED THAT THE ALLIES HAD GIVEN UP CONSIDERABLY LESS OF THEIR ASPIRATIONS IN REDUCING FROM 35 PCT TO 30 PCT, THAN HAD THE US IN INCREASING FROM ZERO PERCENT TO 20 PCT. IT WAS TIME FOR FURTHER MOVEMENT ON THE PART OF THE MAJORITY.

13. SYG NOTED IMPOSSIBILITY OF ACHIEVING CONSENSUS AT THIS TIME AND SUGGESTED THAT THAT THE DPC SHOULD REFLECT UPON THE PROBLEM UNTIL LATE AUGUST WHEN THEY MEET AGAIN. HE REQUESTED THAT THE US REVIEW ITS POSITION AND REPORT BACK IF THERE WERE ANY MOVEMENT. MENZIES NOTED THAT THE TARE PROCUREMENT WAS URGENT AS UNDERLINED BY SECDEF IN THE JUNE MINISTERIAL, AND AS ILLUSTRATED BY THE RECENT EMERGENCY IN CYPRUS. THIRTEEN OF THE FOURTEEN NATIONS AGREED WITH THE REQUIREMENT, AND THE US SHOULD JOIN THE MAJORITY RATHER THAN HOLDING UP PROGRESS WHILE SEEKING MORE BUSINESS FOR US INDUSTRY.

14. PRENDERGAST AGAIN NOTED THAT US PURPOSE WAS TO ACHIEVE THE ADVANTAGE FOR NATO OF THE BEST EQUIPMENT AT THE LOWEST PRICE AND IN THE SHORTEST TIME, RATHER THAN TO SECURE ADDITIONAL US BUSINESS. HE CALLED THE DPC ATTENTION TO THE FACT THAT THE AGREED RULES CALLED FOR UNRESTRICTED ICB UNTIL A TREND TOWARD PRODUCTION IMBALANCE WAS NOTED. SINCE THERE WAS NO UNANIMITY ON THE EXISTENCE OF SUCH A TREND, THE RULES CALLED FOR NO RESTRICTION ON THE TARE PROCUREMENT. THOSE WHO OPPOSED SUCH AN ACTION WERE RESPONSIBLE FOR THE LACK OF PROGRESS IN NATO'S NICS SYSTEM. TO LUNS' SUGGESTION THAT THE MAJORITY POSITION BE CIRCULATED AS A PO FOR SILENT PROCEDURE APPROVAL BY THE DPC, PRENDERGAST NOTED THAT THE ONLY ADVANTAGE WOULD BE IN THE CASE THAT THE US POSITION WERE TO BE COMPLETELY MODIFIED TO BE 30 PCT FIGURE REQUIRED BY THE MAJORITY - AN UNLIKELY EVENT. SUCH A PROCEDURE WOULD THEREFORE NOT BE USEFUL.

15. SYG CLOSED THE MEETING WITH SOME INDICATION THAT HE WOULD USE THE SILENT PROCEDURE APPROACH. HOWEVER, IT WAS NOT CLEAR IN WHAT MANNER. WE HAVE CHECKED WITH VAN CAMPEN (DIRECTEUR DU DABINET) TO URGE THAT PO NOT BE ISSUED BUT WERE TOLD SECGEN DOES INTEND TO CIRCULATE A PO ASKING US TO JOIN THE MAJORITY POSITION. DG NICSMA LATER NOTIFIED US PO WOULD NOT BE FORTHCOMING UNTIL MISSION HAD REACTION TO DPC DISCUSSION ON SUBJECT.

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16. ON ITEM II, ORDER OF IMPLEMENTATION OF THE NICS TARE PROJECT, LUNS INTRODUCED SUBJECT AS ONE WHICH HAD BEEN RESOLVED AND RECEIVED AGREEMENT BY ALL PARTIES CONCERNED. HE INTENDED TO PUBLISH NEW PO WHICH WOULD BE CIRCULATED SHORTLY FOR SILENT PROCEDURE APPROVAL BY DPC AND WOULD CONTAIN ESSENTIALLY THE INFORMATION IN PARA 10 OR PO/74/105.

17. DURING AFTERNOON, INFRASTRUCTURE DIRECTOR ELDON SMITH AND IS EXPERT CALLED ON PRENDERGAST TO ARGUE -- UNCONVINCINGLY-- AGAINST THE US POSITION.THEY SAID US WAS HOLDING UP PROGRESS BY REFUSING TO MOVE FURTHER IN DIRECTION OF COMPROMISE. THE REAL POINT OF THE VISIT EMERGED WHEN THEY SAID THEY "HAVE A STRONG FEELING" THAT THE OTHER 13 DPC NATIONS WOULD ACCEPT MANDATORY PRODUCTION SHARING ON THE TARE CONTRACT IN THE AMOUNT OF 17.5 PCT OF IAU 14.9 MILLION AND WOULD PROBABLY ALSO WANT SOME UNSPECIFIED MANDATORY PRODUCTION SHARING ON IVSN, BUT WOULD NOT PRESS FOR SHARING ARRANGEMENT ON SGT AT THIS TIME.

18. MISSION INTENDS TO HOLD TO PRESENT POSITION.

19. WASHINGTON COMMENTS REQUESTED.RUMSFELD

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 11 JUN 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 25 JUL 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** garlanwa  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974ATO04094  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** 11652 GDS80  
**Errors:** n/a  
**Film Number:** n/a  
**From:** NATO  
**Handling Restrictions:** n/a  
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**Legacy Key:** link1974/newtext/t19740788/abbrywim.tel  
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**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 8  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** A. STATE 156902; B. USNATO 3960  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** garlanwa  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 10 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <10 APR 2002 by boyleja>; APPROVED <20-Sep-2002 by garlanwa>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** DPC MEETING, 25 JULY, ITEM I: NICS PRODUCTION SHARING - TREND ANALYSIS; AND ITEM II: ORDER OF IMPLEMENTATION  
OF THE NICS TARE PROJECT  
**TAGS:** MCAP NATO  
**To:** STATE  
SECDEF  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005